



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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m/043/004

April 27, 1998

TO: Wayne Hedberg, Minerals Permit Supervisor
FROM: Steve Schneider, O&G Audit Manager *Steve*
RE: 1997 Utelite Corporation Financial Statements

Per your request, I have reviewed the 1997 Utelite Corporation ("Utelite") financial statements. These statements were amended in April by the CPA's, at my request, due to errors totaling \$1,715,269. I've attached the revisions into the originally bound financial report. In summary, Utelite's financial condition did weaken somewhat during 1997 as witnessed by the first operating loss being recorded in the past ten years.

The following financial information is provided for your review regarding 1997:

1. The current ratio has increased to 2.36 from 2.16 last year. The 1997 current ratio is less than the December 1988 standard of 9.61, however Utelite still maintains a current ratio which is 97% higher than the Board's normal standard of 1.2 or greater.
2. The total liability to net worth ratio has increased in 1997 to .82 from .65, due to a reduction in net worth caused by the net loss. The 1997 ratio is greater than the Board's December 1988 standard of .08 or less, but is far less than the Board's normal standard of 2.5 or less.
3. Net fixed assets decreased in 1997 by 17% due to depreciation in 1997 exceeding any additional new equipment. Fixed assets in 1997 are 281% above the 1988 level.
4. Tangible net worth decreased by 21% in 1997 due to the net loss. Tangible net worth is 100% above the 1988 level.
5. Utelite recorded a net loss in 1997 of \$387,276, in contrast to net income in 1996 of \$330,121. Net income averaged \$421,371 annually during the past eight years.

If you have any questions on the above comments or the attached financial ratios, please let me know.

Attachment

cc: John Baza

Utelite Financial Ratio Review

	12/88	12/89	12/90	12/91	12/92	12/93	12/94	12/95	12/96	12/97
CUR ASSETS/CUR LIABILITIES	9.61	12.39	8.46	8.08	17.56	6.24	2.77	2.43	2.16	2.36
Normal std of 1.2 or greater										
Board req'd 12/88 maintained										
TOTAL LIABILITIES/NET WORTH	0.08	0.04	0.07	0.10	0.03	0.08	0.13	0.18	0.65	0.82
Normal std of 2.5 or less										
Board req'd 12/88 maintained										
FIXED ASSETS	\$603,208	\$711,737	\$973,650	\$1,141,181	\$942,346	\$856,031	\$1,485,834	\$1,426,262	\$2,773,550	\$2,299,158
Normal std of \$20 million										
Board did not require										
TANGIBLE NET WORTH	\$1,030,746	\$1,601,482	\$2,077,873	\$2,226,354	\$2,299,031	\$2,391,802	\$2,440,981	\$2,406,078	\$2,608,347	\$2,066,071
Normal std of \$10 million										
Board did not require										
NET INCOME	\$66,018	\$474,664	\$859,584	\$317,529	\$535,435	\$340,936	\$280,836	\$231,760	\$330,121	(\$387,276)
For information only										

SLS

4/27/98